

**Report on the Activities of the Supervisory Board
of KGHM Polska Miedź S.A.
for 2021**

*Resolution No. 38/X/22 of the Supervisory Board of KGHM Polska Miedź S.A.
dated 25 April 2022*

Lubin, April 2022



KGHM Polska Miedź S.A., a company listed on the Warsaw Stock Exchange in the period from 1 January 2021 to 30 June 2021, complied with the corporate governance principles set forth in „Best Practice for GPW Listed Companies 2016”, adopted by the Supervisory Board of the WSE on 13 October 2015 (the contents of this document are available on the website of the Warsaw Stock Exchange, <https://www.gpw.pl/archiwum> and in the archive on the website of KGHM Polska Miedź S.A., <https://kgmh.com/en/investors/corporate-governance>).

On 29 March 2021 the Supervisory Board of the Warsaw Stock Exchange, by resolution No. 13/1834/2021, adopted „Best Practice for GPW Listed Companies 2021” (hereafter „**Best Practice**”) in force from 1 July 2021. These principles are available on the website of the Warsaw Stock Exchange devoted to this subject, at [GPW Main Market - Best practice 2021](https://www.gpw.pl/archiwum), as well as on the corporate website of KGHM Polska Miedź S.A. in the Corporate governance paragraph , <https://kgmh.com/en/investors/corporate-governance>. In light of the above, a variety of actions was undertaken enabling adaptation of the regulations of KGHM Polska Miedź S.A. to current corporate governance trends and market expectations, as expressed in the document Best Practice. KGHM Polska Miedź S.A. strives at every stage of its operations to apply the principles contained in „Best Practice,” taking into account the principles of proportionality and adequacy to the greatest possible extent. The Management Board adapted the Management Board’s Bylaws to DPSN2021, which were subsequently approved by the Supervisory Board. Moreover, the Supervisory Board of KGHM Polska Miedź S.A., taking into account the adopted DPSN2021, adopted changes to the Bylaws of the Supervisory Board of KGHM Polska Miedź S.A. As a result of the changes introduced to the Bylaws of the Management Board and of the Supervisory Board, the Company published a Statement on the Company’s compliance with the principles of DPSN2021.

This report contains:

- I.** Principles and procedures of operations of the Supervisory Board of KGHM Polska Miedź S.A.
- II.** Information on the composition of the Supervisory Board of KGHM Polska Miedź S.A. in 2021, on Supervisory Board functions served by its members and on meeting independence criteria by the members of the Supervisory Board.
- III.** Information on the major subjects discussed by the Supervisory Board of KGHM Polska Miedź S.A. in 2021.
- IV.** Reports by the Committees of the Supervisory Board of KGHM Polska Miedź S.A.
- V.** Self-evaluation by the Supervisory Board.
- VI.** Assessment of the standing of the Company on a consolidated basis, including an evaluation of the internal control, risk management and compliance systems and the internal audit function, with information on the actions taken by the

Supervisory Board of KGHM Polska Miedź S.A. in performing this assessment; This assessment comprises all of the important control mechanisms, including in particular those involving reporting and the operations;

- VII.** Evaluation of the manner in which the Company applied corporate governance principles and the manner in which it met its informational obligations as regards their application as set forth in Warsaw Stock Exchange Rules and in regulations regarding current and periodic information published by the issuers of securities, with information on the actions taken by the Supervisory Board of KGHM Polska Miedź S.A. in performing this assessment;
- VIII.** Evaluation of the rationale of expenditures to support the arts, sport, charitable institutions, the media, social organisations, trade unions etc.

I. Principles and procedures of operations of the Supervisory Board of KGHM Polska Miedź S.A.

The Supervisory Board of KGHM Polska Miedź S.A. is the permanent supervisory body of KGHM Polska Miedź S.A. in Lubin in all of the Company's functional areas. The Supervisory Board is comprised of 7 to 10 members, appointed by the General Meeting, including members elected by the Company's employees whose election and dismissal are regulated by the electoral rules adopted by the Supervisory Board.

The members of the Supervisory Board are appointed for a mutual term of office, which lasts three years.

The Supervisory Board acts on the basis of prevailing law, the Statutes of KGHM Polska Miedź the Company Akcyjna with its registered head office in Lubin and the Bylaws of the Supervisory Board of KGHM Polska Miedź S.A. with its registered head office in Lubin as well as the code of Best Practice for GPW Listed Companies.

The Supervisory Board continuously supervises the activities of the Company and carries out its tasks based on the special privileges granted to the Supervisory Board of KGHM Polska Miedź S.A. by the Statutes of the Company under Chapter IV § 20, and in turn by the Bylaws of the Supervisory Board under Chapter III § 8.

The Supervisory Board performed its functions at Supervisory Board meetings, adopted resolutions outside of meetings in voting by means of direct communication at a distance and by delegating its members to work in the Committees of the Supervisory Board.

II. Information on the composition of the Supervisory Board of KGHM Polska Miedź S.A. in 2021, on Supervisory Board functions served by its members and on meeting independence criteria by the members of the Supervisory Board.

Composition of the 10th-term Supervisory Board appointed by the Ordinary General Meeting of KGHM Polska Miedź S.A.

The following table presents the composition of the 10th-term Supervisory Board in 2021.

	1 January – 20 April	20 April – 6 July	6 July – 16 August	16 August – 25 October	25 October – 31 December
Agnieszka Winnik-Kalemba	✓	✓	✓	✓ (Chairwoman)	✓ (Chairwoman)
Bartosz Piechota	✓	✓	✓	✓	✓
Marek Pietrzak	✓	✓	✓	✓	✓
Bogusław Szarek ⁽¹⁾	✓	✓	✓	✓	✓
Jarosław Janas	✓	✓	✓	✓	✓
Józef Czyczerski ⁽¹⁾	✓	✓	✓	✓	✓
Andrzej Kisielewicz	✓ (Chairman)	✓ (Chairman)	✓ (Chairman)	✓	✓
Katarzyna Lewandowska	✓				
Przemysław Darowski ⁽¹⁾	✓	✓	✓	✓	✓
Robert Kaleta			✓	✓	✓
Katarzyna Krupa			✓	✓	✓

⁽¹⁾ elected by employees

Information on the meeting of independence criteria by members of the Supervisory Board

In accordance with art. 129 of the Act on certified auditors, at least two members of the Supervisory Board should meet independence criteria. By independent supervisory board member is meant an independent supervisory board member as understood and defined by Best Practice for GPW Listed Companies 2021. The members of the Supervisory Board have provided the Company's Supervisory Board and Management Board with declarations on meeting independence criteria. The Supervisory Board of KGHM Polska Miedź S.A. conducted an analysis as to whether there were any relationships or circumstances which could have an impact on the meeting of independence criteria by a given member of the Supervisory Board. The members of the Supervisory Board authorised the Management Board of the Company to verify their independence in the Company and in the KGHM Polska Miedź S.A. Group.

The following table presents information which conforms to the declarations submitted by members of the 10th-term Supervisory Board as at 31 December 2021.

Item	First, last name	The meeting of independence criteria, as specified in principle 2.3 of Best Practice for GPW Listed Companies 2021
1	Agnieszka Winnik - Kalemba	meets independence criteria
2	Katarzyna Krupa	does not meet independence criteria
3	Jarosław Janas	meets independence criteria
4	Andrzej Kisielewicz	meets independence criteria
5	Robert Kaleta	meets independence criteria (served in the function from 23 August 2021)
6	Bartosz Piechota	meets independence criteria
7	Marek Pietrzak	meets independence criteria (served in the function until 25 October 2021)

and Members of the Supervisory Board elected by the Group's employees

7	Józef Czyczerski	does not meet independence criteria
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8	Przemysław Darowski	does not meet independence criteria
9	Bogusław Szarek	does not meet independence criteria

As of 31 December 2021 the Members of the Supervisory Board of KGHM Polska Miedź S.A.: Andrzej Kisielewicz, Jarosław Janas, Agnieszka Winnik – Kalemba and Robert Kaleta submitted declarations on meeting independence criteria, specified in the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision, and have no actual and material relations with any shareholder who holds at least 5% of the total vote in the Company (principle 2.3. of Best Practice).

III. Information on the major subjects discussed by the Supervisory Board of KGHM Polska Miedź S.A. in 2021

The Supervisory Board carries out its duties based on the specific powers granted to it by the Company's Statutes and the Bylaws of the Supervisory Board, as well as under the corporate governance principles set forth in Best Practice. Each meeting of the Supervisory Board was attended by a quorum, which means that the Supervisory Board had the capacity to adopt resolutions in matters dealt with by a given agenda.

During the reporting period the Supervisory Board held 37 protocolled meetings at the Head Office of the Company and utilising means of direct communication at a distance, and adopted 181 resolutions, including 34 resolutions in voting utilising means of direct communication at a distance. All of the absences of Supervisory Board members were justified by appropriate resolutions of the Supervisory Board.

The activities of the Supervisory Board in 2021 were documented in the minutes of the meetings and in resolutions representing appendices to the minutes.

As part of its activities, the Supervisory Board actively supported the Company's Management Board in achieving the Company's strategic goals, reviewed the requests of the Management Board regarding questions requiring the consent of the Supervisory Board, in accordance with resolutions of the General Meeting, the Company's Statutes and the adopted Bylaws of the Supervisory Board of KGHM Polska Miedź S.A., and also reviewed other matters presented by the Management Board of KGHM Polska Miedź S.A.

The duties of the Supervisory Board include in particular:

- 1) evaluating the separate and consolidated financial statements and the report of the Management Board on the activities of the Company and the Group for the given financial year,
- 2) evaluating the proposals of the Management Board with respect to the allocation of profits or coverage of losses,
- 3) submitting to the General Meeting an annual written report on the results of the evaluation of the documents referred to in points 1 and 2,
- 4) submitting to the General Meeting annual requests for granting approval of the performance of duties of the Management Board's members,

- 5) examining and controlling the activity and financial condition of the Company, and submitting to the General Meeting an annual, concise assessment of the standing of the Company,
- 6) choosing an auditor to audit the statements referred to in point 1,
- 7) determining the number of members of the Management Board for a given term of office,
- 8) appointment and dismissal of Management Board Members, subject to the provisions of § 12 of the Company's Statutes,
- 9) suspending from their duties for important reasons some or all of the members of the Management Board,
- 10) temporarily delegating a member or members of the Supervisory Board to carry out the duties of members of the Management Board who are unable to carry out their duties,
- 11) setting the remuneration of members of the Management Board and other conditions of management services contracts, with due regard to the Act of 9 June 2016 on the terms of setting the remuneration of individuals managing certain companies (Journal of Laws of 2016, item 1202 with subsequent amendments),
- 12) approving the Bylaws of the Management Board of the Company,
- 13) approving the Company's annual and long-term plans of activity, providing an opinion on requests of the Management Board directed to the General Meeting, including the Company Strategy and the annual budget,
- 14) at the request of the Management Board, expressing its consent to:
 - a) the purchase and sale of real estate, of perpetual usufruct or of a stake in real estate (this does not require a resolution of the General Meeting);
 - b) the granting of guarantees and loans to commercial entities in which the Company owns less than 1/3 of the voting rights at the General Meetings/Partner Meetings of such entities;
 - c) establishing and acceding to commercial partnerships and companies;
 - d) disposing of shares in subsidiaries of the Company;
 - e) establishing branches, companies, representative offices and other organisational or economic entities abroad;
 - f) obtaining or acquiring shares of another Company;
 - g) the establishment and liquidation of foundations;
- 14) appointing and dismissing members of the Management Board, with due regard being given to § 12 of the Statutes of the Company,
- 15) expressing an opinion on investments by the Company in fixed assets, which meet one of the following conditions:
 - a) investments having a value of more than 10% of the budget for expenditures on investments in fixed assets of the Company for a given financial year;
 - b) investments of more than 5% of the budget for expenditures on investments in fixed assets of the Company for a given financial year, if the investment does not meet the criteria for planned effectiveness in comparison to the accepted rate of return on equity in the Company.
- 16) determining the manner of voting by a representative of KGHM Polska Miedź S.A. at the general meetings of companies in respect of which the Company is a parent

entity pursuant to art. 4 point 3 of the Act of 16 February 2007 on competition and consumer protection (Journal of Laws from 2017 item 229), regarding:

- a) the founding by a company of another company;
 - b) amendments to the statutes or articles of association and in the subject of a company's activities;
 - c) the merger, transformation, splitting, dissolution and liquidation of a company;
 - d) increasing or decreasing a company's share capital;
 - e) the disposal and lease of an enterprise or of an organised part thereof, as well as the attachment of limited property rights to same;
 - f) the retirement of shares;
 - g) setting the remuneration of members of the management boards and supervisory boards;
 - h) decisions relating to claims for redress of damage suffered during the founding of the company, or from management or supervisory activities;
 - i) regarding issues referred to in art. 17 of the Act of 16 December 2016 on the principles of state assets management (Journal of Laws from 2016 item 2259), with due regard to § 34 sec. 4 of the Statutes,
- 17) providing an opinion on the reports prepared by the Management Board on representation expenses, expenses incurred on legal services, marketing services, public relations services and social communication services, and advisory services associated with management,
 - 18) providing an opinion on the principles regulating sponsoring activities and evaluating the effectiveness of the Company's sponsoring activities,
 - 19) providing an opinion on changes in the principles of disposing of non-current assets, referred to in § 33¹ of the Statutes,
 - 20) approving the Group's remuneration policy,
 - 21) drawing up and submitting to the Ordinary General Meeting for approval the annual report on the activities of the Supervisory Board, and
 - 22) examining the assessment, submitted to the Supervisory Board, of the effectiveness of the internal control, risk management and compliance systems, as well as the internal audit function and the Management Board's report in this regard.

The duties of the Supervisory Board also include granting consent for the following:

- 1) agreements for legal services, marketing services, public relations services and social communication services, and advisory services associated with management, if the total expected remuneration for providing such services exceeds the net amount of PLN 500 000 per year,
- 2) changes in agreements for legal services, marketing services, public relations services and social communication services, and advisory services associated with management which increase the amount of remuneration above the amount referred to in letter h,
- 3) agreements for legal services, marketing services, public relations services and social communication services, and advisory services associated with management, in which the maximum amount of remuneration is not determined,

- 4) donations or other agreements with similar implications, with a value exceeding PLN 20 000 or 0.1% of total assets pursuant to the Act of 29 September 1994 on accounting, determined based on the most recently approved financial statements,
- 5) discharge of debt or other agreements with similar implications with a value exceeding PLN 50 000 or 0.1% of total assets pursuant to the Act of 29 September 1994 on accounting, determined based on the most recently approved financial statements.

In 2021 the Supervisory Board maintained on-going control over the Company's activities:

- 1) by monitoring the Company's current situation based on the financial results of the KGHM Group for individual periods of 2021 and by reviewing Management Board resolutions, submitted at every meeting, and
- 2) by monitoring, based on information submitted by the Management Board, the status of advancement of the Company's key investments.

On a cyclical basis, based on agreements between the Supervisory Board and the Management Board as well as based on the Company's adopted rules, the Supervisory Board reviewed the following reports and information from the Management Board:

- 1) reports on the current state of concession-related proceedings of KGHM Polska Miedź S.A.,
- 2) information regarding the financial results of the KGHM Group,
- 3) reports on expenditures incurred on advisory, legal, marketing and advertising services, cultivating traditions, representation and sponsoring carried out by external entities on behalf of KGHM Polska Miedź S.A.,
- 4) reports on corporate risk management in the KGHM Polska Miedź S.A. Group,
- 5) information on the status of the Sierra Gorda investment and other international assets,
- 6) information on the exposure to and management of market risk of the KGHM Polska Miedź S.A. Group,
- 7) information on the investment „Construction of the main dewatering system in the region of the SW-4 O/ZG „Polkowice-Sieroszowice” shaft.

The major subjects dealt with by the Supervisory Board in 2021 in terms of its duties, oversight and evaluation

- 1) On 28 January 2021 the Supervisory Board approved the Budget of KGHM Polska Miedź S.A. and the Budget of the KGHM Polska Miedź S.A. Group for 2021;
- 2) Periodically reviewed whether the conditions set forth in art. 90j sec. 1 point 1 of the Act on public offerings and conditions governing the introduction of financial instruments to organised trading, and on public companies, were met by the transactions described in art. 90h sec. 1 and sec. 90k of this act, for each month of 2021;

- 3) expressed its consent for activities resulting from management services agreements entered into by Members of the 10th-term Management Board of KGHM Polska Miedź S.A. of management services provided to KGHM Polska Miedź S.A.;
- 4) monitored on a quarterly basis the manner of execution by the Members of the Management Board of management services agreements;
- 5) expressed its consent to enter into sponsoring agreements for 2021 with sports clubs and with cultural and academic institutions;
- 6) expressed its consent to enter into agreements with the State Treasury represented by the Minister of State Assets regulating the execution of the order of the President of the Council of Ministers entered into on 29 October 2020 with subsequent amendments as regards temporary hospitals in Wałbrzych and Legnica;
- 7) approved the „Bylaws of the Management Board of KGHM Polska Miedź S.A.”;
- 8) expressed its consent for the acquisition of property located in 0011-Słone, gmina Żukowice, by KGHM Polska Miedź S.A.;
- 9) adopted resolutions on setting the manner in which the representative of KGHM Polska Miedź S.A. is to vote at the Extraordinary General Meetings of companies of the KGHM Polska Miedź S.A. Group;
- 10) updated and approved changes to the Bylaws of the Supervisory Board of KGHM and its Committees;
- 11) adopted the „Regulations for the selection and dismissal of members of the Supervisory Board of KGHM Polska Miedź S.A. elected by employees of the KGHM Polska Miedź S.A. Group”;
- 12) expressed its consent to enter into subsidy agreements from the KGHM Polska Miedź Foundation;
- 13) expressed its consent to enter into agreements with a consortium composed of: MOCART spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered head office in Warsaw;
- 14) reviewed the declarations on independence of the members of the Audit Committee of the Supervisory Board of KGHM Polska Miedź S.A.;
- 15) evaluated the Financial Statements of KGHM Polska Miedź S.A. and the Consolidated Financial Statements of the KGHM Polska Miedź S.A. Group for 2020;
- 16) evaluated the Management Board’s Report on the activities of KGHM Polska Miedź S.A. and of the KGHM Polska Miedź S.A. Group in 2020 prepared in conjunction with the Non-Financial Report of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group for 2020;
- 17) approved the report on the results of the evaluation of the financial statements of 2020, the consolidated financial statements of the KGHM Polska Miedź S.A. Group for 2020, the Management Board’s report on the activities of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group for 2020 prepared in conjunction with the Non-Financial Report of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group for 2020;
- 18) expressed its consent for financial resources to be provided in 2021 as part of the project „Competent in the mining and metallurgy sector. KGHM - a key partner in professional education”;

- 19) expressed its consent to subsidise in 2021 1st degree dual studies and to advance a scholarship program for the best students studying „Mining and Geology” at Jan Wyżykowski University in Polkowice;
- 20) expressed its consent for the acquisition in non-tender form of shares in the company PGE EJ1 Sp. z o.o.;
- 21) approved an „Evaluation of the effectiveness of the internal control, risk management, compliance system and of the internal audit function” carried out by the Management Board of KGHM Polska Miedź S.A.;
- 22) expressed a positive opinion regarding report of the Management Board of KGHM Polska Miedź S.A. on representation expenses, expenses incurred on legal services, marketing services, public relations services and social communication services, and advisory services associated with management for 2020; reviewed information on expenditures incurred on advisory services, audits of financial statements, legal services, marketing and advertising, cultivating traditions, representation and sponsoring services carried out by external entities on behalf of KGHM Polska Miedź S.A. and the Group in 2020.
- 23) approved and submitted to the Ordinary General Meeting a concise assessment of the standing of the Company for 2020;
- 24) approved the annual report on the activities of the Supervisory Board of KGHM Polska Miedź S.A. for 2020,
- 25) approved and submitted to the Ordinary General Meeting a Report on the remuneration of the Management Board and the Supervisory Board of KGHM Polska Miedź S.A. for the years 2019 – 2020;
- 26) expressed a positive opinion, and presented proposals to the Ordinary General Meeting, regarding approval of the performance of duties of Members of the Management Board of KGHM Polska Miedź S.A. for 2020;
- 27) expressed its consent to enter into agreements with Telewizja Polską S.A. with its registered head office in Warsaw;
- 28) expressed its consent to provide financial resources in 2021, including financial resources as a donation to the University of Warsaw as part of the advancement of agreements on a strategic partnership;
- 29) reviewed the request of the Management Board of KGHM Polska Miedź S.A. regarding the allocation of profit for 2020;
- 30) expressed a positive opinion regarding the request of the Management Board of KGHM Polska Miedź S.A. directed to the Ordinary General Meeting of KGHM Polska Miedź S.A. on setting the dividend date and dividend payment date for 2020;
- 31) adopted a resolution on submitting to the Ordinary General Meeting a report on the results of its evaluation of the annual financial statements of the Company for 2020;
- 32) expressed its consent twice for additional remuneration for the auditor;
- 33) expressed its consent to enter into scholarship agreements as part of the advancement of the Scholarship Program for the best athletes called „Copper rivalry” as part of the functioning of CSR programs in the Company;
- 34) expressed its consent multiple times for the acquisition of fixed assets, whose total value may exceed 50,000,000 (in words: fifty million) Polish zloties as a result of the advancement of an investment;

- 35) expressed its consent to enter into cooperation agreements and to transfer financial resources to Local Government Units, on whose terrain KGHM Polska Miedź S.A. engages in activities;
- 36) adopted a resolution on setting the manner in which the representative of KGHM Polska Miedź S.A. is to vote at the Partners Meeting of KGHM (Shanghai) Copper Trading Co., Ltd.;
- 37) adopted a „Report on the advancement of the Strategy of KGHM Polska Miedź S.A. for the years 2019 - 2023 for 1H 2021“;
- 38) expressed its consent to provide a donation of financial resources to the Gmina (Municipality) of Gaworzyce;
- 39) expressed its consent for the acquisition of property located in 0014 Żukowice, gmina Żukowice, by KGHM Polska Miedź S.A.;
- 40) approved a „Policy for the selection of an auditing firm to audit the financial statements“;
- 41) adopted a resolution on prolonging agreements with the existing auditor to audit and review the financial statements of KGHM Polska Miedź S.A. for the years 2022 – 2024;
- 42) expressed its consent to acquire shares of the company KGHM ZANAM S.A. on setting the manner in which the representative of KGHM Polska Miedź S.A. is to vote at the Extraordinary General Meeting of KGHM ZANAM S.A.;
- 43) expressed its consent for the sale of property of KGHM Polska Miedź S.A. to the company „Energetyka” sp. z o.o.

Actions related to the qualification proceedings for positions as Members of the 10th-term Management Board of KGHM Polska Miedź S.A. in 2021

- 1) the Supervisory Board of KGHM Polska Miedź S.A. commenced qualification proceedings aimed at reviewing and assessing the qualifications of candidates and to select the best candidates for Members of the 10th-term Management Board of KGHM Polska Miedź S.A.
- 2) approved the protocol of the Remuneration Committee of the Supervisory Board of KGHM Polska Miedź S.A. for the review of candidates’ applications for the position of Member of the 10th-term Management Board.
- 3) set the ranking list and the manner of conducting talks with the candidates for Members of the 10th-term Management Board of KGHM Polska Miedź S.A.
- 4) adopted resolutions on the dismissal of Members of the 10th-term Management Board of KGHM Polska Miedź S.A.
- 5) adopted resolutions on the appointment of Members of the 11th-term Management Board of KGHM Polska Miedź S.A.
- 6) adopted a resolution on the partial conclusion of qualification proceedings for the position of Member of the 10th-term Management Board of KGHM Polska Miedź S.A.
- 7) adopted a resolution on commencing qualification proceedings, aimed at reviewing and assessing the qualifications of candidates and to select the best candidate for the position of Vice President of the 11th-term Management Board (Production) of KGHM Polska Miedź S.A.
- 8) approved the protocol of the Remuneration Committee of the Supervisory Board of KGHM Polska Miedź S.A. for the review of candidates’ applications for the position of

- Vice President of the 11th-term Management Board (Production) of KGHM Polska Miedź S.A.
- 9) set the ranking list and the manner of conducting talks with the candidates for the position of Vice President of the 11th-term Management Board (Production) of KGHM Polska Miedź S.A.
 - 10) adopted a resolution on the conclusion of qualification proceedings for the position of Vice President of the 11th-term Management Board (Production) of KGHM Polska Miedź S.A.
 - 11) adopted a resolution on the temporary transfer of the duties of Vice President of the Management Board (Production) of KGHM Polska Miedź S.A. to another Member of the Management Board of KGHM Polska Miedź S.A.
 - 12) commenced qualification proceedings, aimed at reviewing and assessing the qualifications of candidates and to select the best candidate for the position of Vice President of the 11th-term Management Board (Production) of KGHM Polska Miedź S.A.
 - 13) approved the protocol of the Remuneration Committee of the Supervisory Board of KGHM Polska Miedź S.A., for the review of candidates' applications for the position of Vice President of the 11th-term Management Board (Production) of KGHM Polska Miedź S.A.
 - 14) set the ranking list and the manner of conducting talks with the candidates for Vice President of the 11th-term Management Board (Production) of KGHM Polska Miedź S.A.
 - 15) confirmed the validity of the election of Members of the 11th-term Supervisory Board of KGHM Polska Miedź S.A., elected by the employees of the KGHM Polska Miedź S.A. Group, conducted on 28 April and 29 April 2021.
 - 16) appointed Dariusz Świdorski to the position of Vice President of the 11th-term Management Board (Production) of KGHM Polska Miedź S.A.
 - 17) approved the protocol of the qualification proceedings for Members of the 10th-term Management Board of KGHM Polska Miedź S.A.
 - 18) set the detailed scope of duties of Vice President of the Management Board (Production) of KGHM Polska Miedź S.A. Dariusz Świdorski.
 - 19) adopted a resolution on commencing qualification proceedings, aimed at reviewing and assessing the qualifications of candidates and to select the best candidate for the position of Vice President of the 11th-term Management Board (Corporate Affairs) of KGHM Polska Miedź S.A.
 - 20) approved the protocol of the Remuneration Committee of the Supervisory Board of KGHM Polska Miedź S.A., for the review of candidates' applications for the position of Vice President of the 11th-term Management Board (Corporate Affairs) of KGHM Polska Miedź S.A.
 - 21) set the ranking list and the manner of conducting talks with the candidates for the position of Vice President of the 11th-term Management Board (Corporate Affairs) of KGHM Polska Miedź S.A.
 - 22) appointed Marek Pietrzak to the position of Vice President of the 11th-term Management Board (Corporate Affairs) of KGHM Polska Miedź S.A.

- 23) approved the protocol of the qualification proceedings for the position of Vice President of the 11th-term Management Board (Corporate Affairs) of KGHM Polska Miedź S.A.
- 24) the Supervisory Board of KGHM Polska Miedź S.A. commenced qualification proceedings, aimed at reviewing and assessing the qualifications of candidates and to select the best candidate for the position of Member of the 10th-term Management Board of KGHM Polska Miedź S.A.;
- 25) approved the protocol of the Remuneration Committee of the Supervisory Board of KGHM Polska Miedź S.A., for the review of candidates' applications for the position of Member of the 10th-term Management Board;
- 26) adopted resolutions on the dismissal of Members of the 10th-term Management Board of KGHM Polska Miedź S.A., and the appointment of Members of the 11th-term Management Board of KGHM Polska Miedź S.A.;
- 27) resolved to re-commence qualification proceedings, aimed at reviewing and assessing the qualifications of candidates and to select the best candidate for the position of Vice President of the 11th-term Management Board (Production) of KGHM Polska Miedź S.A., and subsequently, following approval of the protocol of the Remuneration Committee regarding for the review of candidates' applications for the position of Vice President of the 11th-term Management Board (Production) of KGHM Polska Miedź S.A. and the conduct of talks with the candidates, adopted a resolution on the conclusion of qualification proceedings for the position of Vice President of the 11th-term Management Board (Production) of KGHM Polska Miedź S.A. without making a selection;
- 28) re-commenced qualification proceedings, aimed at reviewing and assessing the qualifications of candidates and to select the best candidates for Vice President of the 11th-term Management Board (Production) of KGHM Polska Miedź S.A.;
- 29) approved the protocol of the Remuneration Committee S.A., for the review of candidates' applications for the position of Vice President of the 11th-term Management Board (Production) of KGHM Polska Miedź S.A. and set the ranking list and the manner of conducting talks with the candidates for Vice President of the 11th-term Management Board (Production) of KGHM Polska Miedź S.A.;
- 30) appointed Dariusz Świdorski to the position of Vice President of the 11th-term Management Board (Production) of KGHM Polska Miedź S.A.;
- 31) adopted a resolution on commencing qualification proceedings, aimed at reviewing and assessing the qualifications of candidates and to select the best candidate for the position of Vice President of the 11th-term Management Board (Corporate Affairs) of KGHM Polska Miedź S.A.;
- 32) approved the protocol of the Remuneration Committee for the review of candidates' applications for the position of Vice President of the 11th-term Management Board (Corporate Affairs) of KGHM Polska Miedź S.A. and set the ranking list and the manner of conducting talks with the candidates for Vice President of the 11th-term Management Board (Corporate Affairs) of KGHM Polska Miedź S.A.;
- 33) appointed Marek Pietrzak to the position of Vice President of the 11th-term Management Board (Corporate Affairs) of KGHM Polska Miedź S.A.;

- 34) approved the protocol of the qualification proceedings for the position of Vice President of the 11th-term Management Board (Corporate Affairs) of KGHM Polska Miedź S.A., which were subsequently uploaded to the Company's corporate website.

Major issues with respect to its duties respecting the Management Board of KGHM Polska Miedź S.A.

- 1) The Supervisory Board of KGHM Polska Miedź S.A. designated Management Goals for the Members of the Management Board of KGHM Polska Miedź S.A. for 2021;
- 2) Confirmed accomplishment of the Management Goals and set the level of variable remuneration for the President the Management Board and the Vice Presidents of the 10th-term Management Board of KGHM Polska Miedź S.A. for 2020;
- 3) Following the resignation of the Chairman of the Supervisory Board and of the resignation of the Deputy Chairman, the Supervisory Board selected a Chairman and a Deputy Chairman of the Supervisory Board of KGHM Polska Miedź S.A.;
- 4) Appointed Members of the individual Committees of the Supervisory Board of KGHM Polska Miedź S.A.;
- 5) Approved changes to the templates of the management services contracts for the Members of the Management Board of KGHM Polska Miedź S.A. and set the specific principles of employment and remuneration of Members of the Management Board of KGHM Polska Miedź S.A.;
- 6) Expressed consent to enter into agreements for the use of company cars for the purpose of carrying out the management services contracts by the Members of the Management Board of KGHM Polska Miedź S.A.;
- 7) Set the specific scope of duties of the Members of the 10th-term Management Board;
- 8) Expressed consent for a Member of the Management Board of KGHM Polska Miedź S.A. – the Vice President of the Management Board (Finance) to serve as a member of the Supervisory Board of Polskie Koleje Państwowe S.A. with its registered head office in Warsaw;
- 9) Expressed consent for a Member of the Management Board of KGHM Polska Miedź S.A., Vice President of the Management Board (Corporate Affairs) Marek Pietrzak, to serve in the function and to provide services and work for other entities.

IV. Reports of the Committees of the Supervisory Board of KGHM Polska Miedź S.A.

In performance of the recommendations and principles set forth in Best Practice, in the past financial year the activities of the Supervisory Board were supported by the following Committees: Audit Committee, Strategy Committee and Remuneration Committee.

The Committees of the Supervisory Board are advisory and opinion-creating bodies, which act collegially and provide assistance and advice to the Supervisory Board. The tasks of the Committees of the Supervisory Board are performed by presenting to the Supervisory Board proposals, recommendations, opinions and reports regarding the scope of their tasks.

The rights, scope of actions and manner of work are described in the Bylaws of the Committees as approved by the Supervisory Board.

Audit Committee

Pursuant to § 7 paragraph 2 of the Bylaws of the Supervisory Board of KGHM Polska Miedź S.A., the Audit Committee should be comprised of at least three members of the Supervisory Board. Most of the members of the Audit Committee, including its chairman, should meet the independence criteria specified in art. 129 paragraph 3 of the Act dated 11 May 2017 on certified auditors, auditing firms and public oversight, and at least one member of the Audit Committee should possess knowledge and skills in the areas of accounting or the auditing of financial statements. Moreover, at least one member of the Audit Committee should possess knowledge and skills in the sector in which KGHM Polska Miedź S.A. operates.

In each period throughout 2021, the composition of the Audit Committee met the criteria for independence pursuant to art. 129 point 1 of the Act dated 11 May 2017 on certified auditors, auditing firms and public oversight, wherein at least one member of the Audit Committee possessed knowledge and skills in the areas of accounting.

The qualifications of the members of the Committee in the areas of accounting or the auditing of financial statements, as well as knowledge and skills in the sector in which KGHM Polska Miedź S.A. operates, resulted from the education, experience and professional practice of the Committee's members. Following is detailed information on their qualifications in the areas of accounting or the auditing of financial statements as well as their knowledge and skills in the sector in which KGHM Polska Miedź S.A. operates.

In the period from 1 January 2021 to 25 October 2021, Marek Pietrzak was selected as a member possessing qualifications in the field of accounting or the auditing of financial statements, resulting from his education (among others the title of legal adviser and Executive Master of Business Administration and completion of post-graduate studies in accounting and corporate finance at the SGH Warsaw School of Economics), experience

and professional practice (among others supervision and management of commercial law companies).

In the period from 25 October 2021 to 31 December 2021, Bartosz Piechota was selected as a member possessing knowledge and skills in accounting resulting from his education (among others, graduation from IESE Business School within the Advanced Management Program (AMP) experience and professional practice - performing the function of a member of the management board in commercial law companies, including the one responsible for the area of finance, performing the function of a member of supervisory boards, including the function of a member of audit committees of supervisory boards, consulting in restructuring processes and performing the function of a chairman of creditors' committees in restructuring proceedings.

Bogusław Szarek was selected as a member possessing knowledge and skills in the sector in which KGHM Polska Miedź S.A. operates resulting from many years of employment (since 1982) in KGHM Polska Miedź S.A. as well as being a member of the Supervisory Board of KGHM Polska Miedź S.A. since 2012, as a Member of the KGHM Polska Miedź S.A. Supervisory Board elected by employees.

The following Members of the Audit Committee met the criteria for independence pursuant to art. 129 paragraph 3 of the Act dated 11 May 2017 on certified auditors, auditing firms and public oversight:

- Agnieszka Winnik-Kalemba, Bartosz Piechota and Jarosław Janas, serving in the function from 1 January 2021 to 31 December 2021
- Marek Pietrzak, serving in the function from 1 January 2021 to 25 October 2021
- Robert Kaleta, serving in the function from 23 August 2021 to 31 December 2021

Composition of the Audit Committee in 2021

	1 January – 20 April	20 April – 23 August	23 August – 25 October	25 October – 20 December	20 December – 31 December
Agnieszka Winnik-Kalemba	✓ (Chairwoman)	✓ (Chairwoman)	✓	✓	✓
Bartosz Piechota	✓	✓	✓	✓	✓
Marek Pietrzak	✓	✓	✓ (Chairman)		
Bogusław Szarek	✓	✓	✓	✓	✓
Jarosław Janas	✓	✓	✓	✓	✓ (Chairman)
Katarzyna Lewandowska	✓				
Przemysław Darowski	✓	✓	✓	✓	✓
Robert Kaleta			✓	✓	✓
Katarzyna Krupa			✓	✓	✓

Tasks and duties of the Audit Committee

1. Monitoring the process of financial reporting, the effectiveness of internal control systems and risk management systems, oversight of compliance with the law and the function of internal audit, including financial reporting,

2. The conduct of financial reviews, particularly research conducted by an auditing firm, reflecting all of the conclusions and recommendations of the Polish Audit Oversight Commission resulting from audits carried out within the auditing firm;
3. Conducting reviews of transactions carried out by the Company, which the Audit Committee considers as significant for the Company;
4. Providing an opinion on the Company's internal audit plan and the internal audit by-laws, as well as changes in the position of Internal Audit Director, which is directly responsible to the President or other member of the Management Board;
5. Analysis of the conclusions and recommendations of the Company's internal audit, including monitoring of the degree of implementation of the recommendations by the Company's Management Board;
6. Verifying and monitoring the independence of the certified auditor and the auditing firm, in particular if the auditing firm also provides other services to the Company apart from auditing;
7. Informing the Supervisory Board of audit results and explaining to what degree such audits have contributed to the reliability of financial reporting in the Company, and also what was the role of the Audit Committee in this process;
8. Assessing the independence of the certified auditor and expressing consent for the certified auditor to provide permitted non-auditing services to the Company;
9. Developing a policy to select the auditing firm for conducting audits;
10. Developing a policy of providing permitted non-auditing services by the auditing firm conducting audits, entities affiliated to that auditing firm and by members of the auditing firm's network;
11. Establishing procedures of selecting an auditing firm by the Company;
12. Presenting the Supervisory Board with the recommendations referred to in Article 16 Paragraph 2 of Regulation No. 537/2014 (i.e. the recommendation regarding the appointment of certified auditors or auditing firms), in accordance with the policies referred to in Points 9 and 11 above;
13. Submitting recommendations aimed at ensuring the reliability of the Company's financial reporting process;
14. Presenting the Supervisory Board with recommendations as to the selection of the independent auditor for the purpose of reviewing the internal audit function.

In 2021 the Audit Committee held 12 protocolled meetings.

Information on the major issues dealt with by the Audit Committee of the Supervisory Board during their meetings in 2021

- 1) The Audit Committee expressed a positive opinion regarding the Audit plan in the KGHM Polska Miedź S.A. Group for 2021;
- 2) Adopted the report on the activities of the Audit Committee of the Supervisory Board of KGHM Polska Miedź S.A. for the year ended 31 December 2020;
- 3) Adopted changes to the Bylaws of the Audit Committee of the Supervisory Board of KGHM Polska Miedź S.A.;

- 4) Expressed a positive recommendation as regards evaluation of the request of the Management Board of KGHM Polska Miedź S.A. regarding the allocation of profit for 2020;
- 5) Reviewed information regarding the summation of the audit of the financial statements of the Company for 2020 with the auditor PricewaterhouseCoopers Polska the Company z ograniczoną odpowiedzialnością spółka komandytowa;
- 6) The Audit Committee, after reviewing the Company's financial statements for 2020 as submitted by the Management Board, provided its recommendations to the Supervisory Board regarding the assessment of:
 - a) the financial statements KGHM Polska Miedź S.A. for 2020,
 - b) the consolidated financial statements of the KGHM Polska Miedź S.A. Group for 2020,
 - c) the Management Board's report on the activities of KGHM Polska Miedź S.A. and of the KGHM Polska Miedź S.A. Group in 2020 prepared in conjunction with the non-financial report of KGHM Polska Miedź S.A. and of the KGHM Polska Miedź S.A. Group for 2020,
- 7) The Audit Committee provided its recommendations to the Supervisory Board regarding adoption of the Supervisory Board's report on the results of its evaluation together with justification, regarding the Financial Statements of KGHM Polska Miedź S.A. for 2020, the Consolidated Financial Statements of the KGHM Polska Miedź S.A. Group for 2020 and the Management Board's report on the activities of KGHM Polska Miedź S.A. and of the KGHM Polska Miedź S.A. Group in 2020 prepared in conjunction with the non-financial report of KGHM Polska Miedź S.A. and of the KGHM Polska Miedź S.A. Group for 2020;
- 8) The Audit Committee provided its recommendations to the Supervisory Board as regards the declaration of the Supervisory Board on complying with the rules on the appointment, composition and functioning of the Audit Committee and its execution of the tasks set forth for it by the rules in force;
- 9) The Audit Committee provided its recommendations to the Supervisory Board as regards the declaration of the Supervisory Board on the selection of an auditing firm to carry out the audit of the annual financial statements of KGHM Polska Miedź S.A. for 2020 and the annual consolidated financial statements of the KGHM Polska Miedź S.A. Group for 2020 pursuant to the rules for the selection and the procedure for selection of the auditing firm;
- 10) The Audit Committee reviewed the report of the Management Board of KGHM Polska Miedź S.A. on representation expenses, expenses incurred on legal services, marketing services, public relations services and social communication services, and advisory services associated with management for 2020;
- 11) Prepared a concise evaluation of the Company's standing for 2020, including assessment of the systems of internal control, risk management and compliance as well as the internal audit function;

- 12) Provided recommendations to the Supervisory Board of KGHM Polska Miedź S.A. regarding the „Assessment of the functional effectiveness of the systems of internal control, risk management and compliance as well as the internal audit function” conducted by the Management Board KGHM Polska Miedź S.A.;
- 13) Provided recommendations on the evaluation of the request of the Management Board of KGHM Polska Miedź S.A. regarding the allocation of profit for 2020;
- 14) Provided recommendations regarding the report on the results of the request of the Management Board of KGHM Polska Miedź S.A. regarding the allocation of profit for 2020;
- 15) Adopted report on the conduct of the Audit Plan of the KGHM Polska Miedź S.A. Group for 2020 with an assessment of the effectiveness of the systems of internal control, risk management and compliance;
- 16) Due to the resignation of Agnieszka Winnik-Kalemba from the function of Chairwoman of the Supervisory Board, the Audit Committee on 23 August 2021 selected Marek Pietrzak as Chairman of the Audit Committee of the Supervisory Board of KGHM Polska Miedź S.A.
- 17) Due to the resignation of Marek Pietrzak from membership of the Supervisory Board of KGHM Polska Miedź S.A., the Audit Committee selected on 20 December 2021 Jarosław Janas as Chairman of the Audit Committee of the Supervisory Board of KGHM Polska Miedź S.A.;
- 18) Provided positive recommendations to the Supervisory Board regarding adoption of the „Policy for the selection of an auditing firm to audit the financial statements”;
- 19) Defined and adopted the procedure for selecting the auditing firm to conduct audits of the financial statements;
- 20) Provided a recommendation on the adoption by the Supervisory Board of the „Policy of providing permitted non-auditing services by the auditing firm conducting audits, entities affiliated to that auditing firm and by members of the auditing firm’s network”;
- 21) Provided recommendations to the Supervisory Board on the extension of agreements with the existing auditor to audit and review the financial statements of KGHM Polska Miedź S.A. for the years 2022 – 2024;
- 22) Adopted the „Report on execution of the Internal Audit Plan for the first half of 2021 of the KGHM Polska Miedź S.A. Group”;
- 23) Reviewed a report on corporate risk management in Q4 2020 in the KGHM Polska Miedź S.A. Group; as well as reports on corporate risk management for Q1, Q2 and Q3 in 2021 in the KGHM Polska Miedź S.A. Group.

**In terms of cooperation with the audit firm PricewaterhouseCoopers Polska the Company
z ograniczoną odpowiedzialnością spółka komandytowa:**

- 1) The Audit Committee expressed a positive recommendation as regards consent to additional remuneration for the auditor;

- 2) The Audit Committee reviewed the conclusions from the audit of the financial statements of KGHM Polska Miedź S.A. and the consolidated financial statements of the KGHM Polska Miedź S.A. Group;
- 3) The Audit Committee met with the certified auditor PricewaterhouseCoopers Polska the Company z ograniczoną odpowiedzialnością spółka komandytowa:
 - to summarise the audit of the financial statements and the consolidated financial statements of the KGHM Group pursuant to the schedule for closing the accounts of the year 2020;
 - to summarise the review of the financial statements and the consolidated financial statements of the KGHM Group for the first half of 2021;
 - following the preliminary audit of the accounts for 2021.

Strategy Committee

Composition of the Strategy Committee in 2021

	1 January – 20 April	20 April – 23 August	23 August – 25 October	25 October – 31 December
Józef Czyczerski	✓	✓	✓	✓
Marek Pietrzak	✓	✓	✓	
Bogusław Szarek	✓	✓	✓	✓
Bartosz Piechota	✓ (Chairman)	✓ (Chairman)	✓ (Chairman)	✓ (Chairman)
Agnieszka Winnik-Kalemba	✓	✓	✓	✓
Katarzyna Lewandowska	✓			
Przemysław Darowski	✓	✓	✓	✓
Robert Kaleta			✓	✓

Tasks and duties of the Strategy Committee

1. Execution, on behalf of the Company's Supervisory Board, of tasks in the area of oversight of issues associated with the Company's strategy and of the annual and long-term operating plans of the Company;
2. Monitoring the execution by the Management Board of the Company's strategy and providing an opinion as to whether the existing strategy addresses the needs of the changing situation;
3. Monitoring the execution by the Management Board of the annual and long-term operating plans of the Company and assessing whether these plans need to be modified;
4. Assessment of the consistency of the annual and long-term operating plans of the Company with the Company's strategy as executed by the Management Board, and presentation of any proposed changes to all such Company documents;
5. Submission to the Company's Supervisory Board of the Committee's opinions regarding draft strategies of the Company and any changes thereto and of the Company's annual and long-term operating plans, including the budget, as presented by the Company's Management Board;
6. Other tasks ordered by the Supervisory Board.

Information on the major issues dealt with by the Strategy Committee of the Supervisory Board during its meetings in 2021.

In 2021 the Strategy Committee of the Supervisory Board of KGHM Polska Miedź S.A. held 9 protocolled meetings, during which:

- 1) it issued an opinion on the Budget of the Company and of the KGHM Polska Miedź S.A. Group for 2021;
- 2) adopted a report on the activities of the Strategy Committee of the Supervisory Board of KGHM Polska Miedź S.A. for the year ended 31 December 2020;
- 3) accepted changes to the Bylaws of the Strategy Committee of the Supervisory Board of KGHM Polska Miedź S.A.;
- 4) issued an opinion on the „Report on the state of advancement of the Strategy of KGHM Polska Miedź S.A. for the years 2019 - 2023 for 2020”;
- 5) reviewed information on the subject of the draft of the new mining tax in Chile;
- 6) discussed new investment projects of the Company in the context of the actual strategic directions of KGHM Polska Miedź S.A.;
- 7) issued an opinion on the „Report on the state of advancement of the Strategy of KGHM Polska Miedź S.A. for the years 2019 - 2023 for the first half of 2021”;
- 8) discussed potential changes as regards new strategic directions proposed by the Management Board of KGHM Polska Miedź S.A.;
- 9) reviewed the „Climate Policy of KGHM Polska Miedź S.A.” adopted by the Management Board of KGHM Polska Miedź S.A.;
- 10) reviewed information from the Management Board regarding an optimal strategy by the Company towards potential ownership-related changes resulting from the planned sale of shares by Sumitomo in Sierra Gorda;
- 11) reviewed information from the Management Board regarding the possibility of exercising the right of first refusal in respect of the shares held by Sumitomo in the JV Sierra Gorda.

Remuneration Committee

During the reporting period the Remuneration Committee acted in accordance with § 7 paragraph 4 of the Bylaws of the Supervisory Board and of the Bylaws of the Remuneration Committee of the Supervisory Board of KGHM Polska Miedź S.A.

The Remuneration Committee should be composed of at least three members of the Supervisory Board. The majority of the members of the Remuneration Committee should meet the independence criteria set forth in § 3 paragraph 3 of the Bylaws. At least one member of the Supervisory Board should possess qualifications or experience regarding human resources management.

Composition of the Remuneration Committee in 2021

In the financial year ended 31 December 2021 the composition of the Remuneration Committee of the Supervisory Board of KGHM Polska Miedź S.A. with its registered head office in Lubin was as follows:

	1 January – 20 April	20 April – 23 August	23 August – 25 October	25 October – 31 December
Józef Czyczerski	✓	✓	✓	✓
Marek Pietrzak	✓	✓	✓	
Bogusław Szarek	✓	✓	✓	✓
Andrzej Kisielewicz	✓ (Chairman)	✓ (Chairman)	✓ (Chairman)	✓ (Chairman)
Jarosław Janas	✓	✓	✓	✓
Katarzyna Lewandowska	✓			
Przemysław Darowski	✓	✓	✓	✓
Katarzyna Krupa			✓	✓
Agnieszka Winnik - Kalemba			✓	✓
Bartosz Piechota			✓	✓

Tasks and duties of the Remuneration Committee

1. The conduct of issues related to the recruitment and employment of members of the Management Board, including through the development and organisation of draft documents and processes to be submitted to the Supervisory Board for approval;
2. The preparation of draft contracts/agreements and other sample documents related to the establishment of a legal relationship with Members of the Management Board and oversight of the execution of the contractual obligations of the parties;
3. Oversight of the operation of the Management Board remuneration system, in particular the preparation of settlement documents with respect to variable elements and bonus-based remuneration in order to submit recommendations to the Supervisory Board and development of a draft report of the Supervisory Board on remuneration of the Members of the Management Board and the Supervisory Board;
4. Monitoring and periodic assessment of the remuneration system for the Company's senior management and, if necessary, the preparation of recommendations for the Supervisory Board;
5. Oversight of the proper provision of additional benefits for Members of the Management Board arising from management contracts binding the Members of the Management Board with the Company, such as insurance, company cars, housing, etc.

Information on the major issues dealt with by the Remuneration Committee of the Supervisory Board during its meetings in 2021

In 2021 the Remuneration Committee of the Supervisory Board of KGHM Polska Miedź S.A. held 9 protocolled meetings, during which:

1. The Remuneration Committee adopted the report on the activities of the Remuneration Committee of the Supervisory Board of KGHM Polska Miedź S.A. for the year ended 31 December 2020;
2. Adopted changes to the Bylaws of the Remuneration Committee of the Supervisory Board of KGHM Polska Miedź S.A.;
3. Provided recommendations to the Supervisory Board of KGHM Polska Miedź S.A. as regards the qualifications of the best candidates to serve as Members of the 10th-term Management Board of KGHM Polska Miedź S.A.;
4. The Remuneration Committee adopted and sent to the Supervisory Board of KGHM Polska Miedź S.A. the protocol containing a list of all of the submitted applications and a list of candidates to serve as Members of the 10th-term Management Board of KGHM Polska Miedź S.A., whose applications meet formal requirements;
5. Provided recommendations to the Supervisory Board regarding the allocation of Management Goals amongst the Members the Management Board of KGHM Polska Miedź S.A. for 2021;
6. Adopted and sent to the Supervisory Board of KGHM Polska Miedź S.A. the protocol containing a list of all of the submitted applications and a list of candidates to serve as Vice President of the 11th-term Management Board (Production) of KGHM Polska Miedź S.A., whose applications meet formal requirements;
7. Provided recommendations to the Supervisory Board of KGHM Polska Miedź S.A. as regards the qualifications of the best candidates to serve as Vice President of the 11th-term Management Board (Production) of KGHM Polska Miedź S.A.;
8. Provided recommendations to the Supervisory Board of KGHM Polska Miedź S.A. regarding the adoption and submission to the Ordinary General Meeting of a Report on the remuneration of the Management Board and the Supervisory Board of KGHM Polska Miedź S.A. for the years 2019 – 2020, and met with the Auditor in this matter;
9. Adopted and sent to the Supervisory Board of KGHM Polska Miedź S.A. the protocol containing a list of all of the submitted applications and a list of candidates to serve as Vice President of the 11th-term Management Board (Production) of KGHM Polska Miedź S.A., whose applications meet formal requirements;
10. Provided recommendations to the Supervisory Board KGHM Polska Miedź S.A. as regards the qualifications of the best candidates to serve as Vice President of the 11th-term Management Board (Production) of KGHM Polska Miedź S.A.;
11. Provided recommendations to the Supervisory Board as regards execution of the management goals and on setting the amount of variable remuneration for Members of the 10th-term Management Board of KGHM Polska Miedź S.A. for 2020;
12. Recommended that the Supervisory Board adopt changes to the templates of the management services contracts for the Members of the 10th-term Management Board of KGHM Polska Miedź S.A.;

13. Adopted and sent to the Supervisory Board of KGHM Polska Miedź S.A. the protocol containing a list of all of the submitted applications and a list of candidates to serve as Vice President of the 11th-term Management Board (Corporate Affairs) of KGHM Polska Miedź S.A., whose applications meet formal requirements;
14. Provided recommendations to the Supervisory Board KGHM Polska Miedź S.A. as regards the qualifications of the best candidates to serve as Vice President of the 11th-term Management Board (Corporate Affairs) of KGHM Polska Miedź S.A.;
15. Provided recommendations to the Supervisory Board regarding expressing consent to the scope of activities arising from the agreements with Members of the 11th-term Management Board of KGHM Polska Miedź S.A. to provide management services to KGHM Polska Miedź S.A.;
16. Adopted resolutions regarding the signing of management services contracts by the Members of the 10th-term Management Board of KGHM Polska Miedź S.A. to provide management services to KGHM Polska Miedź S.A.;
17. Adopted resolutions regarding the signing of agreements for the use of company cars for the purpose of carrying out the management services contracts entered into by the Members of the 11th-term Management Board of KGHM Polska Miedź S.A.

V. Self-evaluation by the Supervisory Board

The Supervisory Board of KGHM Polska Miedź S.A. is the permanent supervisory authority of the Company in all of its functional areas, in accordance with the obligations and rights set forth in the Commercial Partnerships and Companies Code and other laws, the Statutes of the Company and the Bylaws of the Supervisory Board. Moreover, in performing its duties the Members of the Supervisory Board of KGHM Polska Miedź S.A. were directed by the principles of Best Practice 2021. In 2021 each of the Members of the Supervisory Board during the performance of their duties took into consideration the good of the Company. The Management Board cooperated with the Supervisory Board, providing information on the status of matters of importance to the Company.

All of the Members of the Supervisory Board applied due diligence in the performance of their duties, utilising their best knowledge and experience in supervising the companies of the Group, and consequently the Supervisory Board positively assesses the results of their work.

VI. Assessment of the standing of the Company on a consolidated basis, including an evaluation of the internal control, risk management and compliance systems and the internal audit function, with information on the actions taken by the Supervisory Board in performing this assessment; this assessment comprises all of the important control mechanisms, including in particular those involving reporting and the operations

1. Introduction

In accordance with principle 2.11.3. of the „Best Practice for GPW Listed Companies 2021” (hereafter „Best Practice 2021”) the Supervisory Board prepares and presents to the Ordinary General Meeting for its approval the annual financial statements, which among others contain an assessment of the standing of the Company on a consolidated basis, including an evaluation of the internal control, risk management and compliance systems and the internal audit function, with information on the actions taken by the Supervisory Board of KGHM Polska Miedź S.A. in performing this assessment. This assessment comprises all of the important control mechanisms, including in particular those involving reporting and the operations.

This assessment of the standing of KGHM Polska Miedź S.A. (hereafter: „the Company”) for 2021 on a consolidated basis, including an evaluation of the internal control, risk management and compliance systems and the internal audit function, was prepared among others based on documents received from the Management Board of KGHM Polska Miedź S.A. (hereafter: „the Management Board”) and from persons managing risk and compliance and also managing internal audit regarding information on the effectiveness of these functions, discussions held with the participation of the Management Board and other individuals invited to attend meetings of the Supervisory Board of KGHM Polska Miedź S.A. (hereafter: „the Supervisory Board”), and also takes into account the financial statements and the reports of the Management Board on the activities of KGHM Polska Miedź S.A. and of the KGHM Polska Miedź S.A. Group, and based on the conclusions from the audit of the Company’s accounts by a Certified Auditor and other audits.

2. Economic results of the Company in 2021

In 2021, the Company functioned under conditions of an ongoing pandemic and increasing inflationary pressures, as reflected by the rise, in particular in the last quarter of the year, in prices of materials, fuel and energy. Despite the unfavourable circumstances, on which the Company had no direct impact, there was an increase in production and financial results compared to the prior year 2020. The main budgetary targets for 2021 were also achieved, including the level of production of electrolytic copper and metallic silver as well as of EBITDA and profit for the period.

Following is a summary of the most important parameters impacting the Company’s economic standing in 2021.

2.1 Production

In 2021, ore extraction increased by more than 1% compared to the prior year which, alongside slightly lower copper content, resulted in a slightly higher amount of copper in extracted ore than in 2020, and amounted in 2021 to 442.6 thousand tonnes.

The Company produced 577.6 thousand tonnes of electrolytic copper, exceeding the amount produced in 2020 by 3%. The improvement was achieved through the optimum utilisation of production capacity by an increase in the consumption of purchased copper-bearing materials.

The production of metallic silver amounted to 1 332 tonnes, which was 1% higher than the amount recorded in 2020. The achievement of this result was aided by the aforementioned increase in extraction, as well as by higher silver content in extracted ore.

The production of other metallurgical products derives from the level of electrolytic copper production and on the Company's response to market demand. Of particular note is the increase in the share of more highly-processed copper products, as can be seen in the nearly 9% increase in the production of copper wire rod, OFE rod and CuAg rod in 2021 compared to 2020.

2.2 Macroeconomic conditions in 2021

The average annual price of copper (cash settlement on the LME) in 2021 amounted to 9 317 USD/t compared to 6.181 USD/t in 2020. The highest price was recorded on 10 May 2021 and amounted to 10 724.50 USD/t, at the same time setting an historic record. The lowest price was recorded on 2 February 2021 and amounted to 7 755.50 USD/t.

It is also worth noting that 2021 was also a record year in terms of the price of copper expressed in the Polish zloty. The average price in 2021 amounted to 36 017 PLN/t (average daily LME prices set after NBP fixing).

The average annual USD/PLN exchange rate (per the NBP) in 2021 amounted to 3.86 USD/PLN and was 1% lower than in 2020 (3.90 USD/PLN).

2.3 Revenues from sales

In 2021, the volume of sales of copper products did not differ substantially from the amount achieved in the prior year and amounted to 561.5 thousand tonnes, compared to 561.0 thousand tonnes in 2020. Similarly as in the case of production, an increase was recorded in sales of more highly-processed products, meaning wire rod and OFE rod.

Revenues from metallic silver sales in 2021 amounted to 1 249 tonnes, or a decrease by 9% compared to the volume recorded in 2020, alongside slightly-higher production. Inventories of silver at the end of 2021 were aimed at achieving the schedule of deliveries to customers in 2022.

Revenues from sales by KGHM Polska Miedź S.A. in 2021 amounted to PLN 24 618 million, or an increase by PLN 5 292 million (+27%) compared to 2020. The main factor was the improvement in prices of copper, silver and gold, whose increase resulted in higher revenues by PLN 7 807 million. Negative impact came from the change in the volume of sales, mainly silver (in total -PLN 443 million), a less favourable USD/PLN exchange rate (-PLN 173 million) and the adjustment due to hedging transactions (which lowered revenues by PLN 1 974 million).

2.4 Cost of sales, selling costs and administrative expenses

The Company's cost of sales, selling costs and administrative expenses (cost of products, merchandise and materials sold plus selling costs and administrative expenses) in 2021

amounted to PLN 20 514 million, or 27% higher than the amount recorded in 2020. The largest increases were recorded in the following expenses by nature:

- materials and energy, including mainly purchased copper-bearing materials due to higher consumption and purchase price; the price of natural gas, electricity, coke and technological materials were also significantly higher,
- the minerals extraction tax charge,
- labour costs – an increase in remuneration and a higher annual bonus,
- external services – mainly due to an increase in transport services, repairs and maintenance and mine development work,
- depreciation/amortisation – due to investments carried out in prior periods.

The aforementioned factors, including mainly the higher minerals extraction tax charge, led to an increase in the pre-precious metals credit unit cost of copper production and in the cash cost of producing copper in concentrate (C1), which amounted to 2.26 USD/lb (1.62 USD/lb in 2020). C1 cost excluding this tax rose by only 2.6% and was due to a strengthening in the PLN as compared to the USD and slightly lower production of copper from own concentrate.

2.5 Financial result and the Company's financial situation at the end of 2021

In 2021, the Company achieved adjusted EBITDA in the amount of PLN 5 474 million and profit for the period in the amount of PLN 5 169 million. The increase in EBITDA by 23% compared to 2020 was mainly due to the revenues and costs factors mentioned above. Apart from operating activities, the main factor responsible for the increase in profit for the period were the impairment losses reversals recognised at the end of 2021:

- on shares in the subsidiary Future 1 Sp. z o.o. in the amount of PLN 1 010 million (this entity indirectly holds 100% of the shares of KGHM INTERNATIONAL LTD.)
- financial instruments measured at amortised cost (an increase in valuation from PLN 21 million to PLN 807 million), mainly in respect of loans granted to entities of the KGHM Polska Miedź S.A. Group (hereafter: „KGHM Group”).

Also important was the increase in fair value gains on financial assets measured at fair value through profit or loss, from PLN 149 million to PLN 1 070 million (mainly in respect of loans).

The improvement in the economic situation in companies of the KGHM Group and in Sierra Gorda S.C.M. enabled the partial repayment to the Company of loans and a decrease in Company debt:

- proceeds/expenditures due to loans granted recognised in the statement of cash flows amounted to +PLN 1 655 million,
- a decrease in the balance of proceeds/expenditures due to loans drawn of -PLN 1 684 million.

Net cash generated from/(used in) operating activities amounted to +PLN 1 963 million, with expenditures on property, plant and equipment and intangible assets of -PLN 2 407 million. As a result, reflecting other proceeds and expenditures, net cash flow in 2021 amounted to -PLN 735 million, while cash and cash equivalents at end of the period amounted to PLN 1 332 million.

As at 31 December 2021, total assets amounted to PLN 43 458 million, of which PLN 34 671 million were non-current assets, and PLN 8 787 million current assets. The increase in non-current assets by PLN 2 304 million (+7%) compared to the situation at the end of 2020 was mainly due to reversals of impairment on loans and investments carried out – expenditures in this regard, as mentioned above, amounted to PLN 2 407 million and were at a similar level to those realised in 2020. Current assets mainly comprised inventories, whose value rose from PLN 3 555 million to PLN 5 436 million (+53%), mainly due to an increase in inventories of half-finished products and work in progress, including anodes due to preparations to carry out maintenance at the Głogów Copper Smelter and Refinery in 2022.

In terms of liabilities, there was a decrease in non-current liabilities by PLN 1 980 million (-17%), mainly due to the repayment of bank and other loans, and an increase in current liabilities by PLN 982 million (+14%) due to an increase in tax liabilities.

The good condition of the Company and of the KGHM Group is also attested to by the debt ratios, including mainly net debt to EBITDA, which decreased for the KGHM Group from 0.9 at the end of 2020 to 0.6 at the end of 2021.

It should be noted that the Company achieved high results under conditions of the ongoing COVID-19 pandemic. Thanks to a variety of preventative actions engaged in, such as enforcing a sanitary regime and monitoring and testing the health of employees, there were no production stoppages which would have been directly attributable to the pandemic. There were also no recorded instances of significantly heightened absenteeism amongst employees of the core business due to the pandemic. As a result, copper production was in line with the targets set at the start of 2021.

The full scope of the Company's financial and economic results is presented in the separate and consolidated financial statements for 2021, and in the Management Board's Report on the activities of KGHM Polska Miedź S.A. and of the KGHM Polska Miedź S.A. Group in 2021. The Supervisory Board, in resolutions 24/X/2022, 25/X/2022 and 26/X/2021 dated 22 March 2022, positively evaluated the financial statements in question, and recommended their approval by the Ordinary General Meeting of KGHM Polska Miedź S.A.

In 2021, the Supervisory Board oversaw the process of assessment and control of the economic situation of the Company both directly and through committees: Audit, Remuneration and Strategy, comprised of members of the Supervisory Board.

The first stage of this process was the review and approval of the Budget for 2021 adopted by the Management Board, which identified the main economic and financial goals to be achieved in 2021. The Budget was approved by the Supervisory Board by resolution no. 4/X/2021 dated 28 January 2021, following a review by the Strategy Committee of the Supervisory Board.

An important element of this process was the identification of key performance parameters and tasks (KPI's) for the Members of the Management Board, comprised of measures and indicators including safety, production and finance.

A subsequent phase of the assessment of the Company's standing comprised an analysis of current reports on the results achieved and the achievement of budgetary goals in the Company's individual operational and financial areas, including production, sales, investments, borrowing and the results of the Company and the KGHM Group. Reports are prepared by the Company after each reporting month and are subject to approval by the Management Board and are immediately presented to the Supervisory Board. Moreover, the Supervisory Board participated in the process of assessing the Company's standing beyond the fixed scope of the aforementioned areas. In 2021, questions such as monitoring and assessing the execution of key investments, expenditures on advisory, legal and marketing services incurred by the Company, exposure to market risk, and the situation in the international assets required the particular attention of the Supervisory Board.

3. Assessment of the risk management system for 2021

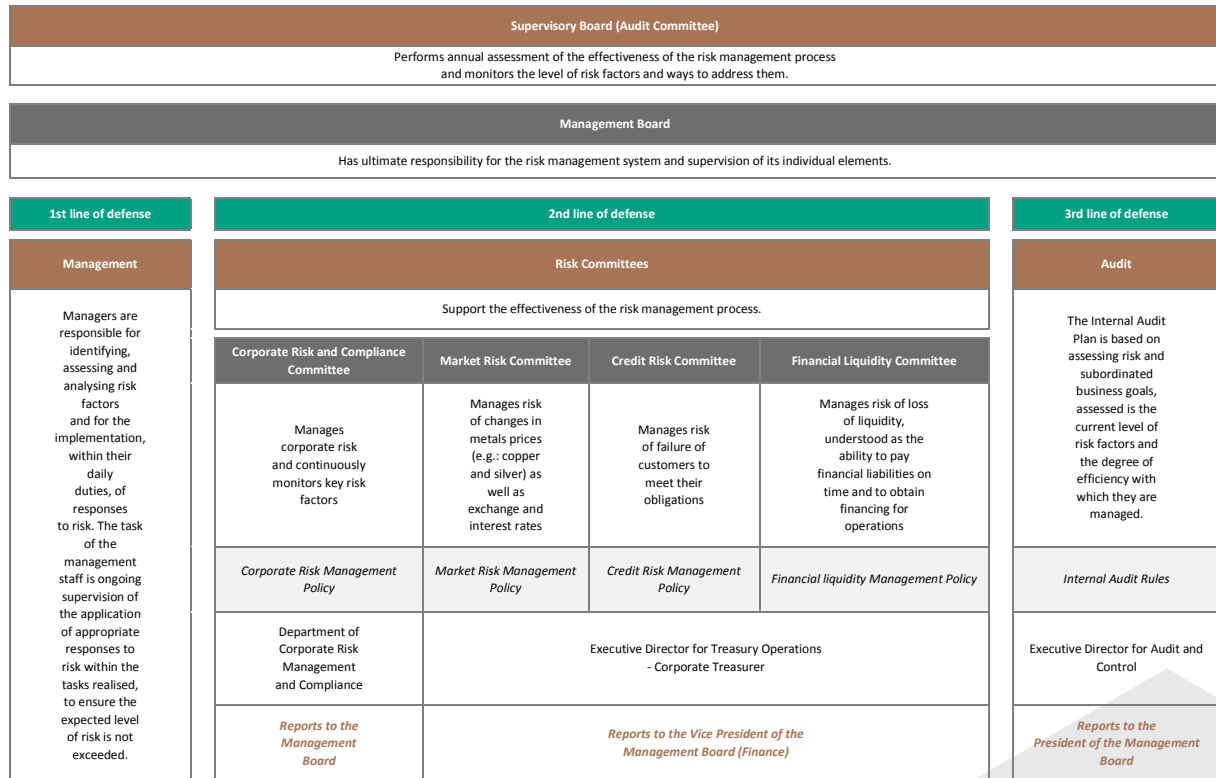
Comprehensive corporate risk management system

Under the Corporate Risk Management Policy and Procedure and the Rules of the Corporate Risk and Compliance Committee, the process of corporate risk management in the KGHM Polska Miedź S.A. Group is consistently performed. The Company oversees the process of managing corporate risk in the KGHM Polska Miedź S.A. Group, while in the companies of the KGHM Polska Miedź S.A. Group, documents regulating the management of corporate risk are consistent with those of the Company.

The Company has broken down its structure into units responsible for achieving tasks under the risk management system and ensures them of the possibility of reporting directly to the Supervisory Board. The breakdown of rights and responsibilities applies best practice principles for Corporate Governance and the generally recognised model of

three lines of defense, with the first line comprised of risk management by business units and risk owners as well as control mechanisms in the Company's operational processes, the second of functions supporting risk management, with the third being internal audit which controls the other lines.

Diagram 1. Organisational structure of risk management and compliance



The Management Board has ultimate responsibility for the risk management system and supervision of its individual elements. In accordance with the adopted model, the Supervisory Board, through the Audit Committee of the Supervisory Board, monitored the actions of the Management Board in terms of risk management in the Company and the KGHM Group, analysing among others the periodic Reports on Corporate Risk Management presented by the manager of the corporate risk management function as well as monitoring the level of key risks and the manner of dealing with these risks (including indicators to evaluate market, credit and liquidity risk). Moreover, the Supervisory Board, both in terms of the work of this body as well as through the work of the Committees (especially the Audit Committee and the Strategy Committee), engaged in comprehensive analyses of individual questions related to the risk of the KGHM Group, presented by the staff of the relevant units of the Company invited to attend the meetings of the aforementioned bodies as needed.

The comprehensive risk management system in the KGHM Group was described in detail in the Management Board's Report on the activities of KGHM Polska Miedź S.A. and of the KGHM Polska Miedź S.A. Group in 2021 together with an indication of the key risks, risk factors and mitigation.

Moreover the corporate risk management system is subjected to an efficiency audit compliant with the guidelines of “Best Practice for GPW Listed Companies 2021” carried out by the Internal Audit Department. The Management Board and the Department of Corporate Risk Management and Compliance provided the Supervisory Board with their own assessment of the functioning of the system in 2021, performed on the basis of criteria of a qualitative and quantitative nature, confirming the general conformity of the corporate risk management function in the Company with the adopted evaluation criteria.

Market, credit and liquidity risk

The goal of market, credit and liquidity risk management in the KGHM Group is to restrict the undesired impact of financial factors on cash flow, the results in the short and medium terms and to enhance the KGHM Group’s value over the long term. The management of risk includes both elements of risk identification and measurement as well as its restriction to an acceptable level. The process of risk management is supported by an appropriate policy, organisational structure and procedures.

These are regulated in the Company by the following documents.:

- The Market Risk Management Policy and the Rules of the Market Risk Committee,
- The Financial Liquidity Management Policy and the Rules of the Financial Liquidity Committee, and
- The Credit Risk Management Policy and the Rules of the Credit Risk Committee.

The „Market Risk Management Policy in the KGHM Polska Miedź S.A. Group” covers selected mining companies in the KGHM Group, KGHM INTERNATIONAL LTD., FNX Mining Company Inc., Robinson Nevada Mining Company, KGHM AJAX MINING Inc., Sociedad Contractual Minera Franke. Key tasks connected with the process of market risk management in the KGHM Group, such as coordinating the identification of sources of exposure to market risk, proposing hedging strategies, contacting financial institutions to enter into, confirm and settle derivatives transactions, and calculating measurements to fair value, were centralised in the Company.

The Company actively manages market risk connected with changes in the prices of metals, exchange rates and interest rates, taking actions and decisions in this regard in the context of global exposure throughout the KGHM Group. In accordance with the „Market Risk Management Policy in the KGHM Polska Miedź S.A. Group” in 2021 the Company continually identified and measured market risk connected with changes in the prices of metals, exchange rates and interest rates (analysis of the impact of market risk factors on the activities of the Company and the KGHM Group – financial result, balance sheet, cash flow), and also analysed the metals, currency and interest rates markets. These analyses, along with assessment of the internal situation of the Company and the KGHM Group, represented the basis for taking decisions on applying hedging strategies on the metals, currency and interest rates markets.

Periodic reports and ad hoc analyses on the market environment, market risk management and its measurement, were provided to and presented at meetings of the Supervisory Board, enabling the requisite monitoring of this area.

Management of liquidity is conducted in accordance with the „Financial Liquidity Management Policy in the KGHM Group” which regulates in a comprehensive manner the process of financial liquidity management in the KGHM Group, which is realised by individual companies, while its organisation and coordination as well as the supervision thereof is performed in the Company. The basic principles arising from the „Financial Liquidity Management Policy in the KGHM Group” are:

- to ensure the stable and effective financing of the KGHM Group’s activities,
- ongoing monitoring of the level of debt of the KGHM Group,
- the efficient management of working capital.

The management of credit risk in the Company is performed in accordance with the „Credit Risk Management Policy” adopted by the Management Board. The Company serves in an advisory capacity for the companies of the KGHM Group as regards credit risk management. The „Credit Risk Management Policy in the KGHM Polska Miedź S.A. Group” covers selected companies in the KGHM Group, while its goal is to introduce a general, joint approach along with the most important elements of the credit risk management process.

Evaluation of the Supervisory Board – the risk management system in 2021

Based on ongoing monitoring, the analysis of documents and internal regulations in force, including periodic risk management reports submitted, self-assessments presented by the Department of Corporate Risk Management and Compliance, the evaluation of the system presented by the Management Board and the results of the review of effectiveness of the system in accordance with the guidelines contained in „Best Practice for GPW Listed Companies 2021”, carried out by the Internal Audit Department, the Supervisory Board hereby confirms that the risk management system:

- ensures a consistent and clear breakdown of duties and responsibilities,
- encompasses all areas of activity and elements of the value chain, enabling an appropriately early identification of risk and enabling adequate and effective mitigating actions to be undertaken,
- is consistent with the strategy of growth, continually strives for operational improvement and the principles of sustainable and responsible business,
- is a cyclical process, based on continual improvement, enabling adaptation to a changing environment (internal and external),
- emphasises the promotion of an organisational culture which strengthens awareness of risk management within the Company and the KGHM Group,

- supports the Management Board and the Supervisory Board in carrying out their duties, both statutory and legal, as well as those involving the advancement of business goals by among others supplying critical information about risk, its factors, or methods of mitigation.

Taking the above into consideration, the Supervisory Board positively assesses the risk management system implemented in the KGHM Group. In 2021 the Supervisory Board had the opportunity to analyse on an ongoing basis the Company's approach to key risks related to the advancement of the business goals. In the Supervisory Board's opinion, the Company appropriately endeavoured to plan and execute actions aimed at minimising exposure to risk both by decreasing susceptibility to individual risk factors as well as reducing the probability of materialisation of negative events. It should however be noted that the process of risk management is connected with uncertainty as to the mitigation of risk, especially in those areas beyond the direct control of the KGHM Group.

4. Evaluation of the compliance management system for 2021

Compliance system

The Company recognises compliance as an important element of its efficient functioning, which requires the taking of decisive actions aimed at ensuring it. In order to unify the approach to the systematic identification, evaluation and analysis of the risk of a loss of compliance, defined as adherence to laws generally in force (external and internal) and to voluntarily adopted legal regulations and standards (including ethical standards), in 2020 the Management Board adopted the Compliance Management Policy in the KGHM Polska Miedź S.A. Group and the Compliance Management Procedure and Methodology in KGHM Polska Miedź S.A. The process of compliance management, which is connected with the process of corporate risk management in the KGHM Group, is an important business tool used to prevent the occurrence of events which could result in the imposition of sanctions.

The Company has broken down its structure into units responsible for achieving tasks under the compliance management system and ensures them of the possibility of reporting directly to the Supervisory Board (the Audit Committee of the Supervisory Board). The breakdown of rights and responsibilities under this system in the KGHM Group applies best practice principles for Corporate Governance and the generally recognised model of three lines of defense. The organisational structure of risk management and compliance is presented above in **Diagram 1**.

The Management Board has ultimate responsibility for the compliance management system and supervision of its individual elements. In accordance with the adopted model, the Supervisory Board, through the Audit Committee of the Supervisory Board, monitored the actions of the Management Board in terms of compliance management, analysing among others the periodic Reports on Corporate Risk Management presented by the

manager of the corporate risk management and compliance function, which contained information on the risk of a loss of compliance, its monitoring and how to proceed. Moreover, the Supervisory Board, both in terms of the work of this body as well as through the work of the Committees (especially the Audit Committee and the Strategy Committee), engaged in comprehensive analyses of individual questions related to the risk of the loss of compliance presented by the staff of the relevant units of the Company invited to attend the meetings of the aforementioned bodies as needed.

Functioning in the Company are a variety of organisational units (such as the Department of Corporate Risk Management and Compliance, the Supply Chain Security Department, the Ethics and Anticorruption Procedures Unit, the Regulations Department, the Legal Department and the Legal Unit) as well as systemic solutions (such as employee access to legal databases, formalised internal procedures for legal interpretations, processes to identify legal requirements and to assess their compliance in terms of the ISO standards in force in the Company), which are aimed at ensuring compliance.

In 2021 actions commenced on enhancing the efficacy of the compliance system, such as regards the selection of complementary IT solutions necessary to advance the process.

Evaluation of the Supervisory Board – compliance system in 2021

Based on ongoing monitoring, the analysis of documents and internal regulations in force, including periodic risk management reports submitted, self-assessments presented by the Department of Corporate Risk Management and Compliance, the evaluation of the system presented by the Management Board and the results of the review of effectiveness of the system in accordance with the guidelines contained in „Best Practice for GPW Listed Companies 2021”, carried out by the Internal Audit Department, the Supervisory Board hereby confirms that the compliance management system:

- ensures a consistent and clear breakdown of duties and responsibilities,
- is an important business tool used to prevent the occurrence of events which could result in the imposition of sanctions,
- reflects both adherence to laws generally in force and internal regulations as well as to voluntarily adopted legal regulations and standards,
- assumes the development of and the effective realisation of transparent and active participation in the process of creating legal norms and business standards,
- assumes the regularity of stages and undergoes cyclical continual improvement, enabling adaptation to a changing environment (internal and external),
- emphasises the promotion of an organisational culture which strengthens awareness of ensuring compliance and avoiding non-compliance or risk of the loss of compliance,
- supports the Management Board and the Supervisory Board in carrying out their duties, both statutory and legal, as well as those involving the advancement of

business goals by among others supplying critical information about the risk of a loss of compliance.

Taking the above into consideration, the Supervisory Board positively assesses the functioning in the KGHM Group of the compliance management system. In the Supervisory Board's opinion, the Company systematically develops the system, as reflected in the actions taken in 2021. The Supervisory Board had the opportunity to analyse on an ongoing basis the Company's approach to key risks related to the loss of compliance. The Company appropriately endeavoured to plan and execute actions aimed at minimising exposure to the risk of loss of compliance.

5. Evaluation of the internal audit and internal control system for 2021

The internal audit system is aimed at ensuring effective and efficient Company operations, the accuracy of financial reporting and the compliance of the Company's actions with laws in force and internal regulations.

The internal control system comprises the areas of oversight, all of the internal procedures, the function of compliance with laws, the financial reporting system, organisational structures, IT systems audits and other control mechanisms aiding in the achievement of the Company's goals as well as having an impact on its security and the stability of its functioning. The purpose of the internal control system is the rational realisation of effective and efficient operations, the accuracy of information disclosed, in particular as regards financial statements as well as the adequacy and operational efficiency of the audits conducted.

The internal control system is supervised in the Company by:

- the actions of the Company's Management Board, involving the establishment of an appropriate and effective internal control system,
- monitoring the efficiency of the internal control system by the Supervisory Board's Audit Committee, and
- oversight by the owners of individual business areas over their respective organisational units.

In addition, in terms of institutional control, actions are undertaken by specialised units, in particular in the Security and Preventing Losses division and in the division of the Executive Director of the Head Office, such as respectively: the Security Department, the Supply Chain Security Department and the Internal Control Department.

The internal audit function plays a special role, and is performed by a separate organisational unit in the Company – the Internal Audit Department, headed by the Executive Director for Audit. The internal audit function is overseen by the Supervisory Board's Audit Committee, which issues opinions on internal audit regulations, the annual internal audit plan and receives a half-year and an annual report on the execution of audit plans. The Executive Director for Audit presents a report on the execution of audit plans

at meetings of the Supervisory Board's Audit Committee. Moreover, the Audit Committee of the Supervisory Board may order the conduct of ad hoc audits.

The Internal Audit Department systematically evaluates and monitors the control mechanisms and identifies potential risks in individual processes occurring in the Company and in the entire Group, as well as uncovers irregularities and violations of existing procedures.

Auditing tasks in Sierra Gorda SCM (hereafter „SG”) are carried out by the internal audit team of SG, which is supervised under the corporate bodies of SG, with the participation of the Executive Director for Audit.

Auditing activities focus on assessing risk and evaluating and monitoring the functioning of the internal control systems in individual processes occurring in the Company and Group.

The work of internal auditing in the Company is based on the principle of independence, and may encompass all areas of the Company's and the KGHM Group's operations. In cases where the employees of the Internal Audit Department do not possess sufficient competence in an area which is to be assessed, the Department makes use of internal or external experts.

In 2021, 30 audits were conducted. Most of them were performed in several, or a dozen or so, KGHM Group entities simultaneously. These tasks were performed both in the divisions as well as in companies of the KGHM Group, including those outside Poland.

As a result of audits performed in 2021, recommendations were formulated for implementation. A summary of the results and recommendations from the comprehensive work were described in the Report on the Implementation of the Internal Audit Plan for 2021 of the KGHM Polska Miedź S.A. Group.

The audits carried out uncovered irregularities and violations of, among others, a formal and legal nature, violations of employee duties, and also inefficient management of resources in various units of the KGHM Group. The recommendations made in respect of the controlled units were aimed at eliminating the identified irregularities and strengthening the internal control system by implementing corrective procedures. The implementation of recommendations is continuously monitored by the Internal Audit Department.

In the Supervisory Board's opinion, the internal audit and internal control system is effective, and is an important element of risk management as regards the functioning of the control mechanisms in the activities of the Company. Independent and objective information on the internal control system and risk management systems as well as the analysis of business processes in the KGHM Group supplied by internal audit, in the opinion of the Supervisory Board represents value added and results in the organisation's operational improvement.

VII. Evaluation of the manner in which the Company met its informational obligations as regards the application of corporate governance principles, as set forth in Warsaw Stock Exchange Rules and in regulations regarding current and periodic information published by the issuers of securities, with information on the actions taken by the Supervisory Board in performing this assessment.

In accordance with principle 2.11.3. of the „Best Practice for GPW Listed Companies 2021” (hereafter „**Best Practice 2021**”) the Supervisory Board prepares and presents to the Ordinary General Meeting for its approval the annual financial statements, which among others contain an assessment of the manner in which the Company met its informational obligations as regards the application of corporate governance principles, as set forth in Warsaw Stock Exchange Rules (hereafter: „WSE Rules”) and in regulations regarding current and periodic information published by the issuers of securities and the conditions of recognising information as equivalent as required by the laws of a non-member state (hereafter: „**Decree**”), with information on the actions taken by the Supervisory Board in performing this assessment.

In the opinion of the Supervisory Board, the informational obligations were complied with in 2021 in accordance with WSE Rules and the Decree.

In the opinion of the Supervisory Board, the Company strives at every stage of its operations to apply the principles of Best Practice 2021 adopted by resolution No. 13/1834/2021 of the Supervisory Board of the WSE on 29 March 2021 and in force since 1 July 2021. The Company has taken a variety of measures to adapt to current corporate governance trends and market expectations, expressed in Best Practice 2021.

In accordance with § 29 paragraph 3 of the WSE Rules, in order to ensure exhaustive information on the current state of application of corporate governance principles, the Company published information in which it indicated which principles are applied, and which ones are either not applicable or are permanently not applied, along with an explanation of the circumstances and causes for their not being applied. „A statement on the company's compliance with the corporate governance principles contained in Best Practice for GPW Listed Companies 2021” is available on the Company's website in the dedicated section <https://kghm.com/en/investors/corporate-governance>. This information is prepared pursuant to the form provided by the WSE.

On 23 March 2022 the Company published the Management Board's Report on the activities of KGHM Polska Miedź S.A. and of the KGHM Polska Miedź S.A. Group in 2021, which includes a Corporate Governance Statement for 2021 containing information required under § 70 paragraph 6 point 5) of the Decree.

In the opinion of the Supervisory Board the Company has a transparent and effective informational policy, ensuring the simple and non-discriminatory access to disclosed information, utilising various communications tools. The Company manages a corporate

website which provides, in a clear and accessible manner, the basic corporate documents, including the Company's Statutes, the Bylaws of the Supervisory Board and of the Management Board, information on the composition of the Company's bodies with biographical data along with information on the meeting of independence criteria by the members of the Supervisory Board, and also conducts a transparent informational policy aimed at the Company's shareholders and other stakeholders, including the Group's business strategy.

The Supervisory Board:

- conducted a separate review of the actual state and uniformity of information published by the Company based on § 29 paragraph 3 of the WSE Rules and §70 paragraph 6 point 5) of the Decree and with respect to the principles of Best Practice 2021,
- independently reviewed the section of the corporate website dedicated to corporate governance in terms of the actual state of published applicable reports,
- made a qualitative assessment of the explanations as to the circumstances and reasons published by the Company for not complying with principles of Best Practice 2021.

Taking into consideration the aforementioned actions, the Supervisory Board of KGHM Polska Miedź S.A. positively evaluates the manner in which the Company met its informational obligations regarding the application of the corporate governance principles as set forth in Warsaw Stock Exchange Rules and in the Decree.

VIII. Evaluation of the rationale of expenditures on the support of the arts, sports, charitable institutions, the media, social organisations, trade unions etc.)

Since 2013, the Company, in its Integrated Annual Report, and previously in its Reports on Corporate Social Responsibility, has published detailed information on the results of its activities regarding regional support, including data on its sponsoring and charitable activities.

The sponsoring activities of KGHM Polska Miedź S.A. are closely connected with activities involving Corporate Social Responsibility (CSR) and foresee the commitment of most of the funds on achieving planned activities, aimed on the one hand at promoting the Company through the presence of the KGHM brand at prestigious events in Poland and abroad, and on the other hand at supporting valuable initiatives and ventures involving culture and the arts, sport, science and society, aiding in social development.

In terms of culture and society, in 2021 KGHM sponsored 57 events and initiatives in the amount of over PLN 7 million. In 2021 the Company continued sponsoring the Royal Castle in Warsaw, in which, while maintaining a sanitary regime, it organised a stationary exhibit, as well as online lectures for children. The Company was also a sponsor of the Wrocław Opera. KGHM also continued its patronage of the Warsaw Uprising Museum, which gave museum lectures on history and the Polish language (stationary and on-line)

at various educational levels – from primary school to secondary school, technical and sector schools.

In terms of academia, in 2021 KGHM sponsored 36 events and initiatives in the amount of over PLN 3 million, including events in the world of science, thanks to which KGHM is able to develop, while its experts can share their knowledge and experiences. The priority was events from Lower Silesia and those related to the operations, including in particular in the area of innovation, as well as cooperation with schools of higher learning and scientific institutions. participated in the largest economic and sector events, including the Economic Forum, the Development Vision Forum and the 590 Congress.

In response to ongoing and anticipated demographic changes and their resulting impact on the labour market, KGHM prepared and implemented the program „Competent in the mining and metallurgy sector. KGHM - a key partner in professional education”. Directed to students in sector schools, the program is aimed at preparing employees in professions which are disappearing from the labour market but which remain important to ensure the organisation’s effective operation. Due to demographic conditions and changes in the educational system, specialists in selected technical fields (for example electrical engineers, electromechanics, mechatronics technicians, electricians) have ceased to appear on the Polish market, making these professions increasingly competitive.

The program Competent in the sector, by cooperating with schools which train these niche professions, is geared at avoiding future shortages in technical positions. Students in classes in which KGHM is a patron can count on a variety of benefits. Among others during apprenticeships in the Company young people become familiarised with facilities where they may like to someday work.

In terms of sport, in 2021 KGHM sponsored 31 events and initiatives in the amount of over PLN 23 million. It was the main sponsor of the Extraclass football club Zagłębia Lubin, but it also supported handball and volleyball clubs (teams at the highest league level in Poland). For years KGHM has been one of the sponsors of the Bieg Piastów run in Jakuszyce.

The Company also supported other running events – Crossowa Liga Biegowa, Noworoczny Marszobieg in Głogów, Wilczym Tropem – Bieg Pamięci Żołnierzy Wyklętych, but also local sprting organisations, whose members include employees of the KGHM Group.

To ensure the transparency of the principles of undertaking decisions involving the sponsoring of a given project, offers are reviewed by a Sponsoring Committee, which acts on the basis of the Sponsoring Policy adopted in 2019. Its decisions are documented in each case by meeting minutes, which are verified by the President of the Management Board of KGHM Polska Miedź S.A. The signing of agreements valued at more than PLN 100 000 requires that the Sponsoree submit the assumed specific equivalent of the proposed benefits. The total of 35 settled agreements with a value of over PLN 100 000 amounted to PLN 32 280 000, and their equivalent to PLN 40 945 167.

Entering into sponsoring agreements with a value of over PLN 500 000 requires the consent of the Management Board and the Supervisory Board. The same is the case for donations by the Company, if they exceed the amount of PLN 20 000 they require the consent of the Management Board and the Supervisory Board.

In 2021, 124 sponsoring agreements were settled. The continuation of the pandemic for a second year in a row led to the need to organise many events in an online form to comply with the sanitary regime. The lockdowns which were introduced also resulted in the need to extend the completion time of two films sponsored by KGHM, which the decision being taken to extend the deadlines, which was reflected in annexes being prepared to these agreements.

The activities of the KGHM Group in terms of sponsoring is regulated by the Sponsoring Policy of KGHM Polska Miedź S.A. and the Sponsoring Committee's procedure for providing an opinion.

One of the social pillars of corporate social responsibility is the KGHM Polska Miedź Foundation, which has engaged in acts of goodwill and charitable activities since 2003.

In 2021 the KGHM Polska Miedź Foundation, in accordance with its statutory assumptions, as well as taking into account its capabilities, endeavoured to respond to diverse social needs. Support was provided in the form of cash subsidies in the total amount of PLN 20 669 524.66, including PLN 19 676 423.56 for the advancement of 312 projects and PLN 993 101.10 for 116 private persons.

In 2021 the Foundation received from KGHM Polska Miedź S.A. subsidies for statutory goals in the amount of PLN 18 000 000 and from Group companies in the total amount of PLN 300 000.

In 2021 advancement of the scholarship program for outstanding athletes called „Miedziane Rywalizacje” (Copper Rivalry) continued. Thanks to the scholarships granted by the Company, athletes do not have to have full-time jobs, meaning that they can spend most of their time on training to achieve ever-better athletic results.

In 2021 the number of scholarships granted was increased by two. Altogether the program included 26 athletes, representing various sporting disciplines. 23 of the agreements are a continuation of earlier cooperation, while three new scholarships were granted to athletes proposed by the employees of KGHM in a survey.

In 2021 seven of the scholarship recipients of the „Miedzianych Rywalizacji” were athletes connected with the Copper Belt and as many as seventeen Olympians.

In 2021, as part of the employee volunteer program „Miedziane serce” 40 volunteer actions were undertaken. Due to the ongoing pandemic all of them were conducted under a rigorous adherence to sanitary and lockdown standards.

Employees had the opportunity to contribute to collections of materials conducted in all of KGHM's Divisions, such as a collection of donated holiday gifts, of which toys, toiletries

and sweets went to children, orphanages and care and educational institutions in Lower Silesia, or the periodic action „czworonogi szCzekają” (dogs are barking), whose goal is to supply local animal shelters with blankets and food during the difficult autumn-winter period.

During last year’s charitable action „Pączek ze szlachetnym nadzieniem” (donuts with a valuable filling) a further record was broken and a total of nearly PLN 80 thousand was collected, which was donated to support three handicapped children of employees of KGHM.

For several years the volunteer program has emphasized the advancement of long-term and cyclical projects, which represented half of the actions which were prepared and conducted.

The Company’s activities as a sponsor were appreciated. KGHM won awards in three categories in this year’s edition of the Social Responsibility Leaders Program (CSR) – Good Company, Good Employer and Eco Company. The main criteria in the selection process included among others the level of a company’s commitment to charitable and sponsorship activities, a company’s policy advanced as an employer and other positive aspects of a company’s activities.

KGHM for many years has engaged in projects supporting employees and the citizens of the Copper Belt. This year the Company issued a special, jubilee edition of a publication about corporate social responsibility: „60 good CSR practices for 60 years of KGHM”. This is a description of the activities and examples of employee commitment through volunteer actions and assistance across Lower Silesia and throughout Poland.

KGHM, in its communication strategy, cooperates with the media. The Company, functioning on a global market, is subject to the volatility of this market, fears about trade wars, and the increasingly restrictive legal demands and expectations of stakeholders regarding the Company’s social responsibility. For this reason the Company establishes and maintains a continuous dialogue with the Company’s key stakeholders, which enables the building of understanding and acceptance for the strategic projects advanced by KGHM Polska Miedź S.A. Towards this end communications activities are engaged in in a manner which guarantees the communication of information of adequate benefits resulting from the activities of KGHM to the most important stakeholders. These include media relations (i.e. regular contact with the media, the publication of information and press releases and the organisation of meetings with the media in Warsaw and in the areas where the Company’s activities are located), social media (meaning ongoing dialogue with stakeholders in the main social media platforms: LinkedIn, Twitter and Facebook) and the promotion of KGHM experts through appearances in the media and participation in key business and sector conferences.

In compliance with Best Practice of Companies Listed on the Warsaw Stock Exchange, KGHM Polska Miedź S.A. discloses the Company’s expenditures related to trade unions. These expenditures represent fulfillment of the employer’s obligations in accordance with

the Act dated 23 May 1991 on trade unions (Journal of Laws 2019.263 i.e. with a date of 12 February 2019). In 2021 they amounted in total to PLN 12 095 619, including remuneration of trade union representatives freed from the obligation to work, PLN 11 477 698.

The Supervisory Board of KGHM Polska Miedź S.A. hereby submits to the Ordinary General Meeting the above report on the execution of its obligations in 2021.

Chairwoman of the Supervisory Board

Agnieszka Winnik-Kalemba

Deputy Chairwoman of the Supervisory Board

Katarzyna Krupa

Secretary the Supervisory Board

Jarosław Janas

Member of the Supervisory Board

Józef Czyczerski

Member of the Supervisory Board

Przemysław Darowski

Member of the Supervisory Board

Robert Kaleta

Member of the Supervisory Board

Andrzej Kisielewicz

Member of the Supervisory Board

Bartosz Piechota

Member of the Supervisory Board

Bogusław Szarek

Appropriate signatures on the original

Lubin, 25 April 2022